

Primeserv Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1997/013448/06)
("Primeserv" or "the Company")
Share code: PMV ISIN: ZAE000039277

**DETAILED TERMS ANNOUNCEMENT
AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

1. INTRODUCTION

Shareholders are referred to the cautionary and renewal of cautionary announcements released on SENS on 11 April 2023 and 22 May 2023 respectively and are advised that the Company, through its wholly owned subsidiary, Primeserv Pinnacle Proprietary Limited ("**the Purchaser**"), entered into a sale of business agreement ("**Sale of Business Agreement**") with Pinnacle Outsource Solutions Proprietary Limited and AJR Enterprises CC ("**the Sellers**") and Albertus Johannes Rossouw ("**AJ Rossouw**"), in terms of which the Purchaser will acquire the businesses ("**the Businesses**") owned and operated by the Sellers ("**the Acquisition**") and which comprise the fixed assets applied by the Sellers in the operation of the Businesses and the goodwill arising out of the name and reputation of the Businesses and their business methodologies and the service excellence applied and provided by the Businesses for a maximum purchase consideration of R10 945 000 ("**Purchase Consideration**").

AJ Rossouw is the Divisional Executive of the Businesses and owner (100 percent) of AJR Enterprises CC. and Pinnacle Outsource Solutions Proprietary Limited.

2. DESCRIPTION OF THE BUSINESSES AND RATIONALE FOR THE ACQUISITION

Each of AJR Enterprises CC and Pinnacle Outsource Solutions Proprietary Limited carry on business as suppliers of temporary employment services largely within the Logistics, Transportation and Distribution Centre Industry.

The Acquisition forms part of Primeserv's strategy to expand its strong footprint in the temporary services sector of the Logistics, Transportation and Distribution Centre Industry.

3. TERMS OF THE ACQUISITION

3.1. Purchase Consideration and Payment

In terms of the Sale of Business Agreement, the Purchase Consideration shall be determined based upon the net profit after tax ("**NPAT**") for the years ending 31 March 2024, 31 March 2025 and 31 March 2026, derived by the Businesses

acquired as set out in this announcement and which shall be operated as a single business unit after the implementation of the Acquisition.

The maximum Purchase Consideration of R10 945 000 shall be payable in six instalments, provided that a minimum NPAT is derived in each year as follows:

- R3 611 800 in respect of the year ending 31 March 2024 payable in one instalment of R1 778 500 on or before 10 June 2023 and the balance of a maximum of R 1 833 300 in April 2024 based upon the achievement of an NPAT of at least R3 650 000;
- R3 666 600 in respect of the year ending 31 March 2025 payable in two instalments of a maximum of R1 833 300 each payable in October 2024 and April 2025 based upon the achievement of an NPAT of at least R4 015 000; and
- R3 666 600 in respect of the year ending 31 March 2026 payable in two instalments of a maximum of R1 833 300 each payable in October 2025 and April 2026 based upon the achievement of an NPAT of at least R4 615 000.

The Purchase Consideration shall be reduced pro-rata should the NPAT in any particular year not equal or exceed the amounts stipulated above.

The Purchase Consideration will be funded from the cash resources of the Company.

3.2. Resolutive Conditions

The Acquisition is subject to the fulfilment of the following outstanding conditions, which if not satisfied on or before 30 June 2023, or such later date as may be agreed in writing, will lead to the transaction becoming nul and void ab-initio. The conditions which are required to be satisfied are as follows:

- 3.2.1. The Purchaser having completed a due diligence in regard to the Businesses acquired and issuing a written notice to the effect that it intends to abide by the terms of the Sale of Business Agreement;
- 3.2.2. The conclusion of an employment agreement with AJ Rossouw;
- 3.2.3. Approval of the Sale of Business Agreement by the shareholder and member of the Sellers as required in terms of the Companies and Close Corporation Acts;
- 3.2.4. Approval of the Sale of Business Agreement by the Board of the Company; and
- 3.2.5. Notification to the Competition Commission of South Africa of the Acquisition and the Competition Commission not making an adverse finding regarding the implementation of the Acquisition.

3.3. Closing Date and Effective Date of the Acquisition

The Acquisition will be implemented on the Closing Date, which is expected to occur before 30 June 2023, however, notwithstanding the Closing Date, the Acquisition shall take effect from 1 April 2023, from which date the Purchaser, should the Acquisition become unconditional, shall have 100 percent exposure to the variable returns of the Businesses acquired and as such be entitled to 100 percent of the earnings of the Businesses.

3.4. Representations and Warranties granted in respect of the Acquisition

The Sale of Business Agreement contains extensive representations, warranties and indemnities given by the Sellers and AJ Rossouw in favour of the Purchaser, which are standard for a transaction of this nature and further includes a warranty against losses incurred in the Purchase Consideration determination period in terms of which any loss incurred in a particular year will be repaid to the Purchaser upon demand after the loss is determined as incurred.

4. FINANCIAL INFORMATION

4.1. The total value of the net assets comprising the Businesses acquired (as at 31 May 2022 for Pinnacle Outsource Solutions Proprietary Limited and 28 February 2022 for AJR Enterprises CC, being the date of the last audited annual financial statements of Pinnacle Outsource Solutions Proprietary Limited and the Accounting Officers Report for AJR Enterprises CC) amounts to R8 167 956 and comprises the written down book value of the fixed assets necessary for the conduct of the Businesses – R335 315, the value of inventory on hand - R62 441 and the value of goodwill – R7 770 200. The acquisition specifically excludes all other assets and liabilities of the Sellers.

4.2. The profit after tax attributable to the Businesses, was R860 418, in regard to AJR Enterprises CC, based on the Accounting Officers Report for the year ended 28 February 2022, and R3 672 581 for Pinnacle Outsource Solutions Proprietary Limited based on the audited annual financial statements of that company for the year ended 31 May 2022, which were prepared in terms of IFRS and the relevant requirements of the Close Corporations Act.

5. CLASSIFICATION OF THE ACQUISITION

The Acquisition, in aggregate, constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

6. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

This detailed terms announcement contains all relevant details regarding the Acquisition and as a result caution is no longer required to be exercised by shareholders when dealing in the Company's securities.

30 May 2023
Illovo, Sandton

Sponsor
Grindrod Bank
